

## **SCHEDULE 1**

EC004397449

## **CODE OF BUSINESS CONDUCT: GENERAL POLICY REGARDING LAWS AND BUSINESS CONDUCT**

### Purpose:

The Corporate Policies constituting the Code of Business Conduct of Enron Corp. govern the conduct of business by Enron Corp. and its Affiliates (the "Company"). The purpose of this Corporate Policy is (a) to provide a general statement regarding the Company's expectations as to the legal and ethical nature of conduct of the Company's employees and agents while acting on the Company's behalf and (b) to provide for the administration of the Company's Code of Business Conduct. This Corporate Policy is intended to enhance the qualifications of the Code of Business Conduct as part of a program that, under Chapter 8 of the United States Sentencing Guidelines (the "Sentencing Guidelines"), is reasonably designed, implemented and enforced so as to be generally effective in preventing and detecting criminal conduct.

### Definitions:

As used in this Corporate Policy:

"Affiliates" means each entity controlled by Enron Corp. or with respect to which Enron Corp. (or entities controlled by it) provide management or administrative services, where control means the power to direct the management and policies of an entity, whether through the ownership of voting securities or otherwise.

"Code of Business Conduct" consists of all the Corporate Policies adopted by the Board of Directors of Enron Corp. that relate to the legal and ethical standards of conduct of employees and agents of the Company and all Corporate Policies approved by the General Counsel of Enron Corp. or the Operating Group, as applicable.

"Enron Compliance Officer" means the Chairman and Chief Executive Officer of Enron Corp. or such other person or persons within the High-Level Personnel of Enron Corp. as shall be designated from time to time by the Board of Directors of Enron Corp.

"High-Level Personnel" means individuals who have substantial control over Enron Corp. or an Operating Group or who have a substantial role in policy-making within Enron Corp. or an Operating Group, including directors, executive officers and individuals in charge of a major business or functional unit of Enron Corp. or an Operating Group, such as sales, administration or finance.

"Operating Group" means a group of one or more subsidiaries or divisions of the Company, as shall be designated from time to time by the Management Committee of Enron Corp. as constituting a separately-managed line of business.

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Policy:

A. Standards of Conduct.

1. Company. It is the Company's policy to observe and comply with all Federal, state and local laws and all rules and regulations of Federal, state and local governmental agencies and authorities applicable to it or the conduct of its business. It is also the Company's policy to observe and comply with all laws, rules and regulations of foreign countries applicable to the Company with respect to the conduct of its business in foreign countries, to the extent not inconsistent with applicable Federal laws, rules and regulations.

The Code of Business Conduct sets forth specific Corporate Policies governing the conduct of the business of the Company. These policies were developed and are intended to be applied to enable the Company to achieve its operating and financial goals within the framework of the law.

It is the personal responsibility of each employee of the Company to adhere to the standards and restrictions, both as a matter of law and of Corporate Policies, applicable to his or her assigned duties and responsibilities and to conduct himself or herself accordingly. Such standards and restrictions require each employee to avoid any activities which could involve the Company in any practice which is not in compliance with the Code of Business Conduct. In addition, such standards and restrictions require each employee to use due care not to delegate substantial discretionary authority to any person that such employee knows, or through the exercise of due diligence should know, has a propensity to engage in illegal activities. Any employee who does not adhere to such standards and restrictions is acting outside the scope of his or her employment.

Beyond legal compliance, all Company personnel are expected to observe high standards of business and personal ethics in the discharge of their assigned duties and responsibilities. This requires the practice of honesty and integrity in every aspect of dealing with other Company employees, the public, the business community, stockholders, customers, suppliers and governmental and regulatory authorities.

2. Operating Groups. Enron Energy Services, Enron Global Services, and Enron Wholesale Services are hereby designated Operating Groups hereunder. When any other Operating Group is so designated by the Management Committee, each such Operating Group shall be promptly informed of its status as such. In addition to being governed by the Code of Business Conduct, each Operating Group (including those so designated herein) shall, as soon as reasonably practicable after its designation as such, develop, adopt and implement its own Related Code of Business Conduct (a "Related Code"). Each Related Code shall include the policies contained in the Code of Business Conduct and may include additional policies predicated on the peculiar characteristics of the business conducted by that Operating Group and the laws, rules and regulations applicable to it, as well as more detailed policies on issues of substantive law also included in the Code of Business Conduct, in each case to the extent not inconsistent with the Code of Business Conduct.

B. Administration of Code of Business Conduct. The Code of Business Conduct of the Company and the Related Code of each Operating Group shall be administered as follows:

1. Scope of Code of Business Conduct and Related Codes.

a. Enron Corp. - Enron Corp. shall assess the risk of exposure to liability for violations of laws applicable to its operations based on the nature and history of its business operations. This risk assessment shall be taken into account in revising the Code of Business Conduct. The Enron Compliance Officer shall, periodically, in light of the experience of the Company, review the Code of Business Conduct, and when necessary or desirable, make recommendations to the Management Committee of Enron Corp. (i) to ensure its continued conformance to applicable law in sufficient detail and breadth of scope, (ii) to ensure that it meets or exceeds industry standards, and (iii) to ensure that any weaknesses revealed through monitoring, auditing and reporting systems are eliminated or corrected.

b. Operating Groups - Each Operating Group shall assess the risk of exposure to liability for violations of laws applicable to its operations based on the nature and history of its business operations. This risk assessment shall be taken into account by each Operating Group in preparing or revising its Related Code.

The Compliance Committee (as defined below) for each Operating Group shall periodically review its Related Code. In light of the experience of the Operating Group, the Compliance Committee shall, when necessary or desirable, make revisions to the Related Code (i) to ensure its continued conformance to applicable law in sufficient detail and breadth of scope, (ii) to ensure that it meets or exceeds industry standards, and (iii) to ensure that any weaknesses revealed through monitoring, auditing and reporting systems are eliminated or corrected.

2. Allocations of Responsibility.

a. Enron Corp. - The Enron Compliance Officer shall be responsible for the administration of the Code of Business Conduct as it relates to the Company as a whole and as set forth with respect to certain investigative and disciplinary matters described in Sections B.6 and B.7 of this Corporate Policy. The Enron Compliance Officer shall establish such procedures as he or she shall deem necessary or desirable in order to discharge this responsibility. Such procedures shall provide for obtaining advice of legal counsel where appropriate. In discharging these responsibilities, the Enron Compliance Officer may delegate authority to such officers and other employees and may engage such agents and advisors as he or she shall deem necessary or desirable.

b. Operating Groups - A Committee of high-level personnel appointed by the Chief Executive Officer of each Operating Group (the "Compliance Committee") shall be responsible for the administration of the Related Code of such Operating Group as it relates to such Operating Group, except as set forth with respect to certain investigative and disciplinary matters described in Sections B.6 and B.7 of this Corporate Policy. Each Compliance Committee shall establish such procedures as it shall deem necessary or desirable in order to discharge its responsibility. Each Compliance Committee shall be responsible with respect to its Operating Group for all reports required to be made to the Enron

Compliance Officer under this Corporate Policy with respect to the Related Code of such Operating Group.

c. Existing Auditing Functions. This Corporate Policy shall not be deemed to affect the Company's internal auditing or environmental auditing programs from time to time, which programs shall remain in place subject to the authority of the persons currently having authority over them, provided that alleged or suspected violations of law or of the Code of Business Conduct that may be material and that are discovered by such auditing programs shall be reported to the Enron Compliance Officer or, subject to the limitations contained in Section B.6.b hereof, to the Compliance Committee of the appropriate Operating Group, for investigation. It is understood, however, that the Enron Compliance Officer or the Operating Group Compliance Committee, as applicable, has the authority to delegate the investigation of such a violation to the persons they deem appropriate, including the auditing department or to the persons responsible for environmental compliance.

3. Communication of Policies.

a. Enron Corp. To ensure the continued dissemination and communication of the Company's Code of Business Conduct, the Enron Compliance Officer shall take, or cause to be taken, reasonable steps to communicate effectively the standards and procedures included in the Code of Business Conduct to employees and agents of the Company. It is implicit in the concept of "reasonable steps" that the form of dissemination and communication and the extent of the effort to communicate are related to the degree of risks that has been determined pursuant to Section B.1 of this Corporate Policy.

b. Operating Groups. Each Compliance Committee also shall take, or cause to be taken, reasonable steps to communicate effectively the standards and procedures included in the Related Code to employees and agents of its Operating Group.

4. Monitoring and Auditing.

a. Enron Corp. - The Enron Compliance Officer shall take reasonable steps to monitor and audit compliance with the Code of Business Conduct, including the establishment of monitoring and auditing systems that are reasonably designed to detect conduct in violation of the Code of Business Conduct by employees and agents of the Company.

(1) It is implicit in the concept of "reasonable steps" that the nature and extent of monitoring and auditing systems are related to the degree of risks that has been determined pursuant to Section B.1 of this Corporate Policy.

(2) To the extent so directed by the Enron Compliance Officer, the information developed by the Company's independent accountants in performing their engagement by the Company and by its internal auditors in the performance of their assigned responsibilities shall be made available to the Enron Compliance Officer in his or her capacity as administrator of the Code of Business Conduct as a means of monitoring and auditing compliance with the Code of Business Conduct.

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(3) To the extent so directed by the Enron Compliance Officer, the results of the periodic environmental audits of the Company's facilities conducted pursuant to its environmental compliance program shall be made available to the Enron Compliance Officer in his or her capacity as the administrator of the Code of Business Conduct as a means to monitor and audit compliance with the Code of Business Conduct.

b. Operating Groups - The Compliance Committee of each Operating Group also shall take reasonable steps to monitor and audit compliance with its Related Code.

5. Reporting System.

a. Enron Corp. The Enron Compliance Officer shall establish a reporting system that will allow violations of the Code of Business Conduct or related Codes to be reported and acted upon by designated objective officers or other employees of the Company. The existence and nature of the reporting system shall be communicated to all employees and, to the extent appropriate, to agents of the Company. It shall be a violation of this Corporate Policy to intimidate or impose any form of retribution on any employee or agent who utilizes such reporting system in good faith to report suspected violations (except that appropriate action may be taken against such employee or agent if such individual is one of the wrongdoers).

b. Operating Groups. Each Operating Group may rely on the reporting system established by Enron Corp. to allow their employees and agents to report violations of its related Code.

6. Investigation of Violations.

a. Enron Corp. If, through operation of Enron Corp's compliance monitoring and auditing systems or its violation reporting system or otherwise, Enron Corp. receives information regarding an alleged violation of the Code of Business Conduct, the person or persons authorized by the Enron Compliance Officer to investigate alleged violations of the Code of Business Conduct shall, in accordance with procedures established by the Enron Compliance Officer:

- (1) evaluate such information as to gravity and credibility;
- (2) initiate an informal inquiry or a formal investigation with respect thereto, if necessary;
- (3) prepare a report of the results of such inquiry or investigation, including recommendations as to the disposition of such matter, if appropriate;
- (4) make the results of such inquiry or investigation available to the Enron Compliance Officer or the Board of Directors of Enron Corp. for action (including disciplinary action by the Enron Compliance Officer), if appropriate; and

(5) recommend changes in the Code of Business Conduct or in Enron Corp.'s monitoring and auditing systems necessary or desirable to prevent further similar violations, if appropriate.

b. Operating Groups. The Compliance Committee of each Operating Group also shall establish procedures for the investigation of violations; provided that if alleged violations of the Related Code (i) involve alleged violations by any member of senior management of the Operating Group, (ii) could have a material adverse effect on the Company, or (iii) are otherwise designated by the Enron Compliance Officer as being of material importance to the Company, such alleged violations shall be investigated by Enron Corp.

7. Disciplinary Measures.

a. Enron Corp. - Enron Corp. shall consistently enforce the Code of Business Conduct through appropriate means of discipline. Pursuant to procedures adopted by the Enron Compliance Officer, he or she shall determine whether violations of the Code of Business Conduct have occurred and, if so, shall determine the disciplinary measures to be taken against any employee or agent of Enron Corp. who has so violated the Code of Business Conduct.

The disciplinary measures may include counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

The jurisdiction of the Enron Compliance Officer shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.

b. Operating Groups - The Compliance Committee of each Operating Group also shall consistently enforce its Related Code through appropriate means of discipline; provided that if any member of senior management of an Operating Group has allegedly violated the Related Code or if any alleged violation of the Related Code could have a material adverse effect on the Company or has otherwise been designated by the Enron Compliance Officer as being of material importance to the Company, then the Enron Compliance Officer shall determine the disciplinary measures to be taken with respect thereto.

8. Delegation of Substantial Discretionary Authority.

No officer or other employee of the Company shall delegate substantial discretionary authority to any individual who such officer or employee knows, or through the exercise of due diligence should know, has a propensity to engage in illegal activities.

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(1) For this purpose, persons with "substantial discretionary authority" are those individuals who exercise a substantial measure of discretion in acting on behalf of Enron Corp. or any Operating Group. The term includes (i) High-Level Personnel, (ii) individuals who exercise substantial supervisory authority, such as a plant manager or a sales manager, and (iii) any other individuals who, although not a part of management, nevertheless exercise substantial discretion when acting within the scope of their authority (for example, an individual with authority to negotiate or set price levels or an individual authorized to negotiate or approve significant contracts).

(2) The Enron Compliance Officer, in administering the Code of Business Conduct, shall consider, adopt and promulgate guidelines regarding procedures to ascertain a "propensity to engage in illegal activities". The Compliance Committee of each Operating Group shall follow such guidelines in implementing its Related Code.

9. Reports to Management Committee and Compliance Officer. The Compliance Committee of each Operating Group shall report to the Enron Compliance Officer, in accordance with such procedures and at such time as the Enron Compliance Officer shall determine, but not less often than once each year, the general results of its efforts (i) to disseminate and communicate the policies constituting the Related Code, (ii) to monitor and audit compliance with the Related Code, (iii) to establish an effective reporting system regarding violations of the Related Code, (iv) to investigate reported violations of the Related Code and (v) to discipline those responsible for such violations. The Enron Compliance Officer shall report to the Board of Directors of Enron Corp., at least once each year, regarding the general effectiveness of the Code of Business Conduct and each Related Code.

10. Documentation. Subject to the applicable document retention program, Enron Corp. and each Operating Group shall document their respective compliance efforts and results to evidence their commitment to comply with the standards and procedures set forth above.

Approved: Board of Directors  
August 10, 1993

Revised: Executive Vice President and General Counsel  
September, 2001





INTEROFFICE  
MEMORANDUM

To: All Employees  
From: Ken *Ken*  
Subject: Code of Ethics

Department: Office of the Chairman

Date: July 1, 2000

As officers and employees of Enron Corp., its subsidiaries, and its affiliated companies ("Enron" or collectively the "Company"), we are responsible for conducting the business affairs of the Company in accordance with all applicable laws and in a moral and honest manner.

To make certain that we understand what is expected of us, Enron has adopted certain policies, with the approval of the Board of Directors, all of which are set forth in the enclosed booklet revised July 2000. *Please note that Enron has added the Principles of Human Rights; provided further description of our Business Ethics policy with respect to our legal contracts, the selection of outside counsel, and the making of disparaging remarks, oral or written, about Enron by employees; provided further clarification of Enron's policy with respect to Confidential Information and Trade Secrets; decreased the number of days passwords are valid under Enron's Communication Services and Equipment Policy, provided additional information with respect to the criminal penalties and civil fines assessed by the US government under the Foreign Corrupt Practices Act; and clarified Enron's policy with respect to Conflicts of Interests, Investments, and Outside Business Interests of Employees.*

The Code of Ethics contains commonsense rules of conduct with which the great majority of Enron employees routinely conform. However, I ask that you read them carefully and completely and that, as you do, you reflect on your past actions to make certain that you have complied with the policies. It is absolutely essential that you fully comply with these policies in the future. If you have any questions, talk them over with your supervisor, manager, or Enron legal counsel.

Enclosed with this memorandum and booklet is a Certificate of Compliance (revised 7/00) to be signed by you as a statement of your personal agreement, since you last so certified, to comply with the policies stated herein during the term of your employment with the Company. **Please carefully review this booklet. Then select the Code of Ethics option from *eHROnline.enron.com* to certify your compliance or you may sign and send this form to Elaine V. Overturf, Deputy Corporate Secretary, Enron Corp., 1400 Smith Street, Suite 4836, Houston, Texas 77002-7369.**

This memorandum, the Code of Ethics booklet, and Certificate of Compliance are also available to all employees on the Enron Home Page at <http://home.enron.com/>. You may access them by clicking on Code of Ethics.

For your convenience, I have briefly stated below each of the Policies in the booklet. Please retain this booklet for future reference.

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## **Principles of Human Rights**

As a partner in the communities in which we operate, Enron believes it has a responsibility to conduct itself according to certain basic tenets of human behavior that transcend industries, cultures, economies, and local, regional and national boundaries. Enron stands on the foundation of its Vision and Values. Every employee is educated about the Company's Vision and Values and is expected to conduct business with other employees, partners, contractors, suppliers, vendors and customers keeping in mind respect, integrity, communication and excellence. Everything we do evolves from Enron's Vision and Values statements.

## **Securities Trades by Company Personnel**

If a director, officer, or any employee of the Company has material non-public information relating to Enron Corp., Northern Border Partners, L.P., EOTT Energy Partners, L.P., or any other Enron Corp. subsidiary or affiliated company with publicly-traded securities, it is our policy that neither that person nor any related person may buy or sell securities of Enron Corp., Northern Border Partners, L.P., EOTT Energy Partners, L.P., or any other Enron Corp. subsidiary or affiliated company with publicly-traded securities, or engage in any other action to take advantage of, or pass on to others, that information. This policy also applies to material non-public information relating to any other company, including our customers or suppliers, obtained in the course of employment.

## **Business Ethics**

Employees of the Company are charged with conducting their business affairs in accordance with the highest ethical standards. An employee shall not conduct himself or herself in a manner, which directly or indirectly would be detrimental to the best interests of the Company or in a manner, which would bring to the employee financial gain separately derived as a direct consequence of his or her employment with the Company.

## **Confidential Information and Trade Secrets**

Employees will maintain the confidentiality of the Company's sensitive or proprietary information and will not use such information for their personal benefit.

## **Safety**

Employees of the Company have a responsibility to comply with all applicable laws and regulations regarding the safe design, construction, maintenance, and operation of Company facilities.

## **Use of Communication Services and Equipment**

All employees of the Company are expected to comply fully with the general policy of the Company with respect to its communication services and equipment and to operate and maintain the Company's communication services and equipment in a manner that is in full compliance with the law.

## **Internet Security**

The Internet Security Policy defines roles, responsibilities, and policies for the Company's employees, agents, and contractors using the Company's communications facilities to access third party electronic media and services such as the Internet.

## **Governmental Affairs and Political Contributions**

The Company's official position or policy concerning all governmental, political, and public matters in which the Company has an interest and which may affect its progress and well-being will be determined and announced by the Executive Committee of Enron Corp.'s Board of Directors or the Chairman of the Board and Chief Executive Officer. No alteration of or deviation from such official policies will be made without the approval of the Chairman of the Board and Chief Executive Officer of Enron Corp.

## **Consulting Fees, Commissions, and Other Payments**

Agreements with consultants, agents, or representatives must be in writing and must state the services to be performed, the fee basis, and the amounts to be paid and other material terms and conditions, and the form and content must be approved by the Company's legal counsel and with respect to foreign consultants, agents, or representatives by Mr. Jack Urquhart, Senior Advisor to the Chairman of the Board of Enron Corp. Payments must bear a reasonable relationship to the value of the services rendered, must be completely documented and recorded, and must not violate the provisions of the Foreign Corrupt Practices Act.

## **Compliance with the Foreign Corrupt Practices Act**

The United States Foreign Corrupt Practices Act (the "Act") applies to the Company in its worldwide operations as well as individually to all Company employees who are United States citizens, nationals, or residents with respect to their worldwide activities. The Act prohibits the corrupt offer, payment or gift of money or anything of value to a foreign governmental official or employee or to any foreign political candidate or party for the purpose of influencing any act or decision of a governmental body in order to obtain or retain business or to direct business to any person.

## **Compliance with Antitrust Laws**

All employees of the Company are expected to comply fully with all applicable Federal, State, and foreign antitrust laws. Whenever any doubt exists as to the legality of any action or arrangement, such transaction must be submitted to the Company's legal counsel for prior approval and continuing review. Both the spirit and the letter of antitrust laws are to be followed to avoid creating any unlawful restraints on competition.

## **Compliance with Environmental Laws**

We at the Company are committed to protecting our environment, not only because it is legally required, but also because we believe it is the responsible way to conduct our business. The Company expects all employees to comply fully with all applicable environmental laws and regulations.

## **Conflicts of Interests, Investments, and Outside Business Interests of Officers and Employees**

The primary consideration of the employment of every full-time (regular as well as temporary) officer and employee should be the fact that the Company is entitled to expect of every such person complete loyalty to the best interest of the Company and the maximum application of skill, talent, education, etc., to the discharge of job responsibilities, without any reservations whatever.

### Responsibility for Reporting

Employees, upon observing or learning of any violations of any of these policies, should report the same by writing a letter, describing with as much detail as possible, the suspected violation, and sending the letter to:

Enron Compliance Officer  
CONFIDENTIAL - Conduct of Business Affairs  
P. O. Box 1188  
Houston, Texas 77251-1188

Employees may also report the same by telephoning the Confidential Phone Mail Box of the Office of the Chairman of the Company at (713) 853-7294, or sending an e-mail addressed to the Office of the Chairman.

We want to be proud of Enron and to know that it enjoys a reputation for fairness and honesty and that it is respected. Gaining such respect is one aim of our advertising and public relations activities, but no matter how effective they may be, Enron's reputation finally depends on its people, on you and me. Let's keep that reputation high.

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